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## THE BELT AND ROAD INITIATIVE AND THE SDGs: TOWARDS EQUITABLE, SUSTAINABLE DEVELOPMENT

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# Sino-Greek Economic Cooperation: COSCO's Investment in the Port of Piraeus\*

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**Abstract** This article examines COSCO's investment in the Port of Piraeus in Greece, which provides a good example of economic cooperation between China and Greece against the backdrop of the Belt and Road Initiative. It argues that investment in the Port of Piraeus has had a positive impact on the development of Greece by stimulating infrastructure investment, enhancing the competitiveness of the port, boosting the local economy, and helping to attract more foreign investment. However, the article also identifies potential challenges for Sino-Greek economic cooperation in the long run. Structural obstacles and concerns from European countries could affect China's investment in Greece as well as Sino-Greek economic cooperation in the future.

**Keywords:** sustainable development, investment, economic cooperation, Belt and Road Initiative, Piraeus, Greece, COSCO, mutual benefit.

## 1 Introduction

In just the last ten years, China's impressive expansion regarding its economic presence in Greece has attracted worldwide attention. In 2008, the China COSCO Shipping Group (hereinafter referred to as COSCO), a state-owned ocean shipping giant in China, started to invest in the Port of Piraeus in Greece. Eight years later, the company acquired the majority stake (51 per cent) of the Piraeus Port Authority (PPA) for €280.5m and, after the completion of mandatory investments by 2021, will increase its stake by 16 per cent (HRADF 2016).

COSCO's involvement in Piraeus is the flagship project of Chinese investment in Greece and an important part of the Belt and Road Initiative (BRI) in the Mediterranean. Despite the initial reactions about a *sell-out of national assets*, positive perspectives from Greece on China and Chinese investment in Greece can be found after COSCO's investment in Piraeus, as indicated by a recent study by the Institute of

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International Economic Relations of Greece (Tonchev 2018). However, China's investment in Piraeus has not been without criticism, with Nasos Mihalakas (2011) labelling COSCO's investment in Piraeus a Chinese Trojan Horse. Against this backdrop, this article aims to evaluate the impacts of COSCO's investment in Piraeus on Greece.

## **2 Overview of COSCO's investment in the Port of Piraeus**

China and Greece established diplomatic relations in 1972. However, it was not until 2008 when COSCO invested in the Port of Piraeus that the bilateral economic relations between the two countries increased rapidly (Huliaras and Petropoulos 2014). The Port of Piraeus is located at the southern tip of the Balkan Peninsula and on the southwest coast of Athens, Greece. It connects Europe, Asia, and Africa. With a land area of 2.725m square metres and a coastline of about 24km, Piraeus is the largest port in Greece and an important container port in the Mediterranean region.

## **3 The privatisation of the Port of Piraeus and its significance to China**

In October 2008, COSCO obtained through bidding a 35-year concession for the operation of Piers II and III of the container terminals of Port of Piraeus (*China Daily* 2016).

In April 2016, COSCO signed an agreement with the Hellenic Republic Asset Development Fund (HRADF) to acquire 67 per cent of the stake of the PPA for €368.5m and became the operator of the port (*ibid.*). According to a senior executive of COSCO in an interview with us,<sup>3</sup> this was the first time that a Chinese company has taken over the operation of a port overseas. According to the concession agreement expiring in 2052, the majority stake of 67 per cent would be acquired in two stages; the first, a €280.5m payment by HRADF for a 51 per cent stake. After a period of five years, COSCO can acquire the other 16 per cent for €88m, provided that a mandatory investment threshold of €300m has been met or exceeded (HRADF 2016). The PPA has submitted its investment *master plan* worth approximately €600m which includes a new logistics centre, an additional cruise-ship terminal, four hotels, and a shopping mall – awaiting approval by the Greek authorities (Stamouli 2019).

China's strong interest in the Port of Piraeus is related to its unique position in the region (Davarinou, Mylona and Skoura 2016: 10; van der Putten 2014: 19; Bastian 2017). Piraeus is located at an important junction of Europe and Asia. The Port of Piraeus is considered to be a gateway for Chinese products entering Southeastern, Eastern and Central Europe. Zou Xiaoli (2016), the former Chinese ambassador in Greece, described it as the 'dragon's head'; a leading example for China's efforts to promote cooperation with European countries under the framework of the BRI. COSCO's investment has driven more and more Chinese enterprises to come to Greece, including but not limited to, the China Energy Investment Corporation, Air China, and the State Grid Corporation of China (Zou 2016). As China's president, Xi Jinping, told

Alexis Tsipras, the Greek prime minister, during the first Belt and Road Forum on International Cooperation in 2017, the Chinese government was willing to work together with Greece to build the Port of Piraeus as an important focal point for the BRI (Xinhua News 2019).

In addition, Piraeus also serves as the hub for the China–Europe Land–Sea Express Route under the framework of the BRI. The Express Route runs from Greece’s Port of Piraeus in the south, via Skopje in Macedonia and Belgrade in Serbia, and Hungary’s Budapest in the north. Compared with the previous routes that go through the Suez Canal, it arrives at the ports of Hamburg and Rotterdam before entering Central and Eastern Europe. The China–Europe Land–Sea Express Route will reduce total shipping time by 7–11 days, according to a COSCO executive in Greece.<sup>4</sup> The Express Route, once completed, will further enhance connectivity between China and the Central and Eastern European countries (CEECs) and deepen China’s trade and economic links with the CEECs. According to Zou Xiaoli, this Express Route will:

link the new Maritime Silk Road with the Silk Road on land and strongly boost economic and trade cooperation among China, Russia, Central Asia, Central and Eastern Europe, Southeast Europe, West Asia and North Africa, and Southeast Asia (Zou 2016).

Due to the great strategic importance of the Port of Piraeus to China, attempts have been made to maintain both good relations with Greece and a good public perception. In other words, the investment should have benefits for both countries. The following section illustrates the impact of COSCO’s investment in Piraeus on Greece.

#### **4 The impact of COSCO’s investment in the Port of Piraeus on Greece**

COSCO’s investment has significantly improved the competitiveness of the Port of Piraeus. COSCO has introduced the most advanced equipment and upgraded the infrastructure of the port. The Port of Piraeus has become the fastest growing container port in the world (*GTP Headlines* 2019), the second largest port in the Mediterranean and the seventh largest in Europe. In terms of the total container volume of the port, the ranking of the Port of Piraeus had increased significantly from 93rd in 2008 to 37th in 2018 in the world. This means that the total traffic of containers at the Port of Piraeus grew from 680,000 Twenty Foot Equivalent Units (TEUs)<sup>5</sup> in 2008 to 4.9m TEUs in 2018 (*ibid.*). In 2019, the capacity of the port is expected to reach 5m TEUs, making Piraeus the largest port in the Mediterranean (*Stone News* 2018). So far, COSCO has built 55 routes with the Port of Piraeus as a hub. These routes reach as far as the Mediterranean, the Black Sea, the Middle East, North West Europe, North America, and Asia Pacific.

The investment has also contributed to the economic development of Greece and created thousands of local jobs (Xie 2017; PPA 2019a). Former Ambassador Zou Xiaoli made the following address at a seminar

on the BRI: 'the real significance of the COSCO project is highlighted by the opportunity it offers to Greece to return to the international capital market, which is vitally important for Greece to walk out of the crisis and realise revitalisation' (Zou 2016). Recently, the PPA released its *Financial Report 2018* to the Greek government. According to the PPA, the port achieved a profit (before tax) of €42.3m in 2018, representing a near twofold increase from €21.2m in 2017 (PPA 2019b). The net profit reached €27.9m in 2018, showing a 147 per cent increase from its €11.3m profit in 2017. COSCO paid the concession fee of €4.8m to the Greek government, an increase of €700,000 in 2017 (*ibid.*). In addition, COSCO's investment in Piraeus also created 3,000 direct local, and more than 10,000 indirect jobs in Greece (*People's Daily* and *China Daily* 2019).

Many Greeks feel optimistic about the impact of COSCO's investment on the Greek economy in the long run (Le Corre 2018: 18–21). According to the Foundation for Economic and Industrial Research (IOBE in Greek), a Greek thinktank, the Port of Piraeus project will contribute to Greece's gross domestic product (GDP) growth by about 0.8 per cent in 2025, and create 31,000 new jobs between 2016 and 2025, driving public debt down by 2.3 percentage points of GDP (IOBE 2016: 3–4). While these numbers are probably way too optimistic due to Greece's investment deficit, they are indicative of the expectations placed upon COSCO's projects (Tonchev and Davarinou 2017).

COSCO's investment in Piraeus has attracted new Chinese investors to Greece, which has the potential to help boost the Greek economy. Encouraged by COSCO's success, many competitive Chinese enterprises are investing or seeking investment opportunities in Greece. As Tonchev and Davarinou (2017: 24) put it, the Port of Piraeus project serves as an 'anchor investment' for attracting Chinese investment. Numerous examples of this anchorage are detailed below. For instance, in October 2016, the China State Grid Corporation successfully acquired a 24 per cent stake in the Greek public independent transmission company, working with Greek authorities to provide better electrical interconnection between the Greek islands and the mainland. In another case, the China Energy Investment Corporation, one of the world's largest power companies, registered its new energy European headquarters in Greece, later signing a cooperation deal with the Copelouzos Group of Greece in renewable energy and conventional electricity supply (Jovanović 2018). Air China, the Chinese flagship airline, launched Beijing–Athens direct flights in September 2017 (Xinhua News 2017a). Due to Air China being optimistic about the air cargo market in Greece, from April 2018 it increased weekly flights from two to three. In addition, Shenhua, China's largest coal producer, signed an agreement with the Copelouzos Group, one of the largest investment groups in Greece, for the acquisition of 75 per cent of the shares of four wind parks developed by the Greek company (*China Daily* 2017). So far, more than ten competitive Chinese enterprises have invested in Greece (Embassy of China in Greece 2015). The major Chinese enterprises in Greece are listed in Table 1.

**Table 1 The major Chinese enterprises in Greece**

Name of the company	Scope of business
COSCO Shipping	Transportation
ZTE Corporation	Information technology and service
Huawei Technologies Co. Ltd	Information technology and service
China Energy Investment Corporation	Electric power
China Three Gorges International Corporation	Electric power
China New Era Group Corporation	Electric power
State Grid Corporation of China	Electric power
Air China	Transportation

Source Authors' own, based on information from Ministry of Commerce, People's Republic of China (2018).

While it is not clear to what extent COSCO's investment in Piraeus and other Chinese investment have influenced the volume of Sino-Greek trade and investment, a closer economic cooperation between the two countries has been seen.

In order to deepen bilateral economic cooperation, the Chinese and Greek governments made the *2017–2019 Greece–China Action Plan* (*China Daily* 2017). Recently, another new *2020–2022 Greece–China Action Plan* was made (*China Daily* 2019). Stergios Pitsiorlas, Greece's Deputy Economy and Development Minister, said: '[T]he basis of this cooperation is that Greece's growth strategy meets China's Belt and Road Initiative and the benefits are mutual' (Xinhua News 2017b). Alexis Tsipras, the Greek prime minister, was invited twice as a distinguished guest to Beijing to attend the first and second Belt and Road Forum on International Development in 2017 and 2019 respectively. More significantly, in April 2019, Greece became the 17th member of the cooperation between China and the Central and Eastern European countries (CEEC), which had been known previously as the 16+1 Initiative. It largely reflects the significance of Greece in China's regional strategy in Southeast Europe. China considers Greece a gateway for Chinese products to enter this region, as discussed in Section 2.2.

## 5 Integrating into the local environment

This section discusses several issues that have happened with COSCO operating the port. These issues are selected because, to some extent, they reflect COSCO's interaction and integration with the local environment.

### 5.1 Addressing the employees' concerns

When COSCO came to Piraeus to operate Piers II and III in 2008, the employees and the local people were very dissatisfied and concerned about the Greek government's privatisation policy and the handover of

the terminals to a foreign company. Strikes took place and protestors displayed a banner along the waterfront reading 'COSCO Go Home' (Granitsas and Paris 2014). There were even standoffs with the COSCO Group management team.

At that time, the unemployment rate in the Athens suburb was extremely high at around 70 per cent (Granitsas and Paris 2014). Dockworkers were worried about job losses, redundancies, and a deterioration of working conditions. After the first concession of the port in 2008, there were criticisms over the use of subcontractors that employed unskilled, nonunion workers and that did not maintain proper security standards (Alderman 2012).

In 2016, the acquisition of the Port of Piraeus project was completed in accordance with the regulations and procedures of the administrative, judicial, and regulatory agencies in Greece. In the words of Stergios Pitsiorlas: 'It seems that COSCO managed to make peace with the dockworkers'.<sup>6</sup> COSCO executives held dialogues with employees, and then carried out personnel restructuring that resulted in a collective agreement. In addition, there were no wage cuts or redundancies of local personnel. Out of a total workforce of more than 3,000 people, just ten are Chinese.<sup>7</sup>

### 5.2 Localisation

COSCO paid attention to the localisation of the company and promoted an inclusive multicultural environment. In order to promote Sino-Greek cultural exchanges within the company, COSCO invited family members of the employees to celebrate both Western and Chinese festivals together and introduced work lunches (a common practice in Chinese enterprises). It also organised regular workshops for employees to learn Chinese, elected the model workers, and organised tours to China for free. These practices have greatly enhanced the Greek employees' sense of collective identity and belonging to the company, according to a COSCO executive in Piraeus.<sup>8</sup>

### 5.3 The balance of pursuing profits and addressing the development needs of the local industries

COSCO tried to fully consider the development appeal of the local industries and the city while pursuing profit. For instance, before the global financial crisis, Greece was a shipping giant in the world and the ship repair industry was an important pillar of the Greek maritime sector. After the crisis, the Greek government wanted to revitalise its ship repair industry. Considering the development needs of ship repairing in Greece, COSCO invested €30m to renovate the local ship repair zone and upgrade the infrastructure and electromechanical networks (*Hellenic Shipping News* 2018a). In 2018, a new floating repair dock was launched – 240m long, 45m wide, and with a 22,000-tonne lifting capacity with full crane equipment (Glass 2018). The total investment for the ship repair zone stands at more than €55m (*Hellenic Shipping News* 2018b). According to the official data provided by the

**Table 2 Investment according to the COSCO master plan****Mandatory investments in euros (to be completed by 2021)**

Passenger cruise port expansion (South Zone, Phase A)	136,283,800
Pier I repair (PPA Station)	8,000,000
Central port dredging	8,000,000
Construction of a new petroleum pier	15,000,000
Improvement of shipbuilding infrastructure	55,000,000
Conversion of the Pentagon warehouse into a passenger cruise station	1,500,000
Underground road car terminal (90 acres)	5,000,000
Improvement and maintenance of port infrastructure	15,000,000
Supply of equipment	25,000,000
Studies/research	5,000,000
Car terminal extension	20,000,000
<b>Total amount of mandatory investments</b>	<b>293,783,800</b>

**Additional investments in euros**

New warehouse in the area of ODDY, 80,000 sq. m (90 acres)*	60,000,000
Construction of two parking spaces of 75,000 sq. m each, in the G2 region	27,000,000
Eco buses	5,000,000
Construction of cruise passenger station	80,000,000
Reconstruction of the Pagoda building into a 5* hotel and conference centre	60,000,000
Remodelling of two large old warehouses into 4* and 5* hotels	48,000,000
Shipbuilding construction for mega yachts in Area G1	18,000,000
Construction of 5* hotel in Porto Leone	20,000,000
<b>Total amount of additional investments</b>	<b>318,000,000</b>

**Other investments in euros**

Construction of repair pier in Drapetsona	1,000,000
Construction of a five-storey car park in the commercial port area	5,000,000
Construction of logistics centre in ODDY area	30,000,000
<b>Total amount of other investments</b>	<b>36,000,000</b>
<b>Grand total of investments</b>	<b>647,783,000</b>

\* Conversion as it appears in the original text.  
Source Foteinos (2019).

PPA, by the end of 2018, ship repair activity had increased by 53 per cent compared to 2017 (PPA 2019b).

An evaluation of COSCO's impact on the Greek economy can be difficult due to the fact that the company's investment in Piraeus is still in progress. As seen in Table 2, further investment focuses on the improvement of port infrastructure to support its business activities, while expanding on cruise shipping and tourism, as the company aims to reach a capacity of 10m TEUs per year. The Port Planning and Development Committee (ESAL) has approved the majority of the mandatory investments but has expressed its objections regarding additional ones (Foteinos 2019). The goals of COSCO's master plan are to double the company's revenue (currently at €133m), disseminate growth in the wider area, and create 2,500 new permanent jobs (Tsimplakis 2019).

#### 5.4 Environmental and social responsibility

As for environmental protection, COSCO manages, monitors, and evaluates the marine environment by using a high-standard environmental management system, PERS (Port Environmental Review System) of the European Sea Ports Organization (PPA 2017: 21–23). It also meets minimum European environmental standards and Greek regulations in relation to waste management, implementing the Ship Waste Management Plan in accordance with the relevant European regulation. Furthermore, COSCO focuses on energy conservation, and uses photovoltaic power generation to reduce carbon emissions, according to the *Annual Financial Report 2017* of the PPA (*ibid.*: 21–23).

In the area of social responsibility, COSCO has cooperated with the Holy Metropolis of Piraeus to provide food for the poor and has helped the local community through the construction of schools and roads, and aiding orphanages of the Piraeus Region (PPA 2017).

#### 6 Challenges for future Chinese investment in Greece

While Sino-Greek economic cooperation appears to have entered its honeymoon period, the sustainability of the economic relationship remains uncertain. On the one hand, the political uncertainty of the Greek government and the policy change resulting from power shifts will continue to pose a significant political risk to China's long-term investment in Greece. The Port of Piraeus project was not without setbacks – from the strikes at the port to the initial suspension of the privatisation plan by the Syriza-led administration on the day it took office in January 2015 (*Ifeng News* 2015). COSCO's further investment plan in Piraeus has been no different; in February 2019, the Chinese delegation in Athens held a meeting with Greek officials and COSCO executives in order to overcome the Greek bureaucracy posed by ESAL and the Central Archaeological Council of Greece. The structural obstacles posed are related to a conflict between local interests and several elements of COSCO's master plan. For example, the construction of a mall inside the cruise terminal is seen as the final blow

to the shopping stores of Piraeus and the development of a logistics centre in Keratsini as directly competitive to the Thriasio Freight Centre (Mpellos 2019).

Again, in April 2019, the Central Archaeological Council of Greece blocked on issues related to the protection of ancient monuments, archaeological sites, and sites of exceptional historical or legendary importance up to 1830 (*PortSEurope* 2019). This means that, as the local news reported, ‘there will now be stricter terms and conditions for land use, and more bureaucratic intervention in new plans’ (*ibid.*). COSCO is reportedly revising its new investment plan. This kind of risk no doubt shadows Chinese investment in Greece in the long run.

On the other hand, European Union (EU) countries, especially Germany and France, have growing concerns over China’s investment in Greece. The authors agree with the comments of Stergios Pitsiorlas:<sup>9</sup> ‘Greece has been a place for power struggle in history. Many things in Europe have been changed by the investment of COSCO Shipping, which is uneasy for European competitors.’ There are concerns regarding China’s growing economic engagement through BRI-related investments in Europe and the impact on China’s growing power base in this region expressed by Germany, France, and other EU members. This may have implications for Chinese regional investment expansion. Sigmar Gabriel, German foreign minister, blamed Greece for not supporting the EU’s proposal to bring the freedom of navigation in the South China Sea to the International Tribunal for the Law of the Sea (ITLOS) but tilted towards China politically for fear that Chinese investment might be affected (Qingmu 2017).

More importantly, against the backdrop of China’s growing economic and political influence in Europe, the European Commission and the High Representative reviewed EU–China relations, passed the new *EU–China Strategic Outlook*, and set out ten concrete actions to deal with challenges with China (European Commission 2019). In April 2019, the EU also approved new rules for its member states for the screening of foreign investment. It is widely believed that this change is related to their concerns about Chinese investment in Europe, such as Piraeus in Greece, and Trieste in Italy (Taylor 2019; Meunier 2019). Even though China’s investment in EU countries is very small,<sup>10</sup> any pressure from the EU is likely to impact Chinese investment in Greece. European countries’ concerns, together with the newly established regulations, will undoubtedly increase the complexity and difficulty of doing business, and thus reduce the enthusiasm of Chinese enterprises to invest.

As Chinese investment increases, it draws increased attention from various parties in Greece, on issues of insufficient interactions and communication with the public and local community, and the lack of open and transparent information on Chinese investment policy and data. Each of these holds the potential to raise concerns or suspicions due to misunderstanding.

## 7 Conclusion

With China's growing economic engagement in Europe, concerns from EU countries over China's motivations and potential influence will rise. At the Munich Security Conference in 2018, Sigmar Gabriel (2018), German foreign minister, claimed that China used the BRI to create a comprehensive system different from the Western values of freedom, democracy, and human rights. Europe is in danger of being divided by China. China uses these investments, like 'sticks and carrots', to test individual European countries and undermine the unity of the EU (*ibid.*). To address these concerns, China should respond positively. As benefit-sharing and co-development are the golden rules of the BRI, it would be wise for China to move towards involving Germany, France, Italy, and other key EU countries closer in the process of cooperation, better accommodating their interests. For instance, China's investment in Port of Piraeus may reduce the existing interests of some big European ports in this region, such as the Port of Rotterdam in the Netherlands and the Port of Hamburg in Germany. Therefore, when China invests in Piraeus or other European ports, it would be better for China to consider how these investments could reduce the losses of these European countries, or whether it is possible to promote trilateral cooperation or multi-party cooperation with these European countries. In this way, interests and risks can be shared.

This article has examined the effects of COSCO's investment in the Port of Piraeus on Sino-Greek cooperation within the context of the Belt and Road Initiative. It argues that investment in the Port of Piraeus does have a positive impact on the Greek economy by ameliorating infrastructure investment, enhancing the competitiveness of the port, and posing as a successful example that can attract more foreign investment. The role of Piraeus in enhancing Sino-Greek economic cooperation cannot be overlooked. Nevertheless, it will be necessary for both actors to reconcile interests and goals with internal and international politics.

## Notes

- \* This *IDS Bulletin* is supported by the Center for International Knowledge on Development's (CIKD) China–UK Partnership Programme on Knowledge for Development.
- 1 Liu Qianqian, Deputy Director-General, Finance Center for South–South Cooperation (FCSSC), Hong Kong.
- 2 Polyxeni Davarinou, Researcher, Institute of International Economic Relations (IIER), Greece.
- 3 Fieldwork interview, Greece, October 2017.
- 4 Fieldwork interview, Greece, October 2017.
- 5 According to Logistics Glossary Online (2019), the Twenty Foot Equivalent Unit (TEU) is 'the unit of the capacity of a container ship, a container terminal and the statistics of the container transit in a port'. See [www.logisticsglossary.com/term/teu/](http://www.logisticsglossary.com/term/teu/).
- 6 Stergios Pitsiorlas, fieldwork interview, Athens, November 2017.
- 7 Fieldwork interviews with COSCO local staff and executives, Greece, October 2017.

- 8 Fieldwork interviews with COSCO local staff, Piraeus, October 2017.
- 9 Stergios Pitsiorlas, fieldwork interview, Athens, November 2017.
- 10 Take China's investment in Greece, for instance. The countries that invest in Greece are mainly concentrated in Europe. According to Bank of Greece data, in 2017, foreign direct investment from European countries to Greece was €3.22bn, accounting for 89.7 per cent of the total investment in Greece. Major countries investing in Greece include the United Kingdom, Switzerland, Germany, the Netherlands, and Cyprus (Bank of Greece 2018).

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